

STATE OF WISCONSIN

SENATE CHAIR
Howard Marklein

316 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-0703



ASSEMBLY CHAIR
Mark Born

308 East, State Capitol
P.O. Box 8952
Madison, WI 53708-8953
Phone: (608) 266-2540

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: March 22, 2022

Re: SWIB Report to JFC

Attached is a report on changes made to the internal investment guidelines from the State of Wisconsin Investment Board, pursuant to s. 25.17(14r), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

HM:MB:jm



STATE OF WISCONSIN
INVESTMENT BOARD

March 22, 2022

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Honorable Howard Marklein, Co-Chair
Joint Committee on Finance
316 East, State Capitol
P.O. Box 7882
Madison, WI 53707

Honorable Mark Born, Co-Chair
Joint Committee on Finance
308 East, State Capitol
P.O. Box 8953
Madison, WI 53708

Honorable Robert Cowles, Co-Chair
Joint Committee on Audit
118 South, State Capitol
P.O. Box 7882
Madison, WI 53707

Honorable Samantha Kerkman, Co-Chair
Joint Committee on Audit
315 North, State Capitol
P.O. Box 8952
Madison, WI 53708

Mr. Mike Queensland
Senate Chief Clerk
P.O. Box 7882
Madison, WI 53707

Mr. Ted Blazel
Assembly Chief Clerk
Room 401, 17 West Main Street
Madison, WI 53703

Subject: Investment Policies, Objectives and Guidelines

Members of the Legislature:

Pursuant to Section 25.17(14r) of the Wisconsin Statutes, I want to advise you that since our last report on December 16, 2021 there were some revisions to the SWIB Investment Committee (IC) Wisconsin Retirement System (WRS) Investment Guidelines.

At its January 25, 2022 and February 22, 2022 meetings, the Investment Committee approved amendments to the SWIB IC WRS Investment Guidelines, which included:

- Updating the leverage use policy to more clearly describe SWIB's use of leverage without substantively modifying the applicable guidelines;
- Modifying the guidelines for the multi-strat portfolio to clarify the processes for its use of new strategies and instruments and to reflect the portfolio's restructuring as part of the Board-approved asset allocation policy changes, including increasing its tracking error limit;
- Modifying the guidelines for the mortgage-backed securities (MBS) portfolio to modify the portfolio duration requirement to within two years of the benchmark, add

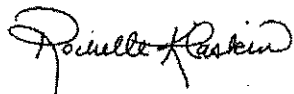
an average rating requirement and permit trading long or short within the portfolio subject to exposure restrictions;

- Modifying the guidelines for the private equity portfolio to remove the prohibition on co-investments where SWIB is the lead investor;
- Removing the guidelines applicable to the former Government/Credit portfolio, which was split into the investment grade credit portfolio and the global macro portfolio, and adding proposed guidelines for those two new portfolios;
- Replacing references to LIBOR in the guidelines for the short-term credit portfolio because LIBOR was discontinued; and
- Revising soft risk parameters to reflect the new and modified portfolios as well as discussions with the new Head of Risk Management.

These amendments were reported to the Board of Trustees at its March 16, 2022 meeting.

If you have questions on any of the changes, please contact me.

Sincerely,



Rochelle Klaskin
Deputy Executive Director/Chief Administrative Officer

cc: Jay Risch, SWIB Government Relations Liaison
Members, Joint Committee on Audit
Members, Joint Committee on Finance
Joe Chrisman, Legislative Audit Bureau
Robert Lang, Legislative Fiscal Bureau